

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES OPERATIONS, GOVERNANCE POLICY and AUDIT COMMITTEE
MEETING**

January 20, 2016

MINUTES

Members Present: Mr. Greg Ferguson, Chairman, Trustee
Mr. Jeff McHenry, Member, Trustee
Ms. Randie Stein, Member, Trustee

Others Present: Mr. Jared Smout, Administrator
Ms. Ivy Voss, Assistant Attorney General
Mr. Robert Ortega, Local Board Training Coordinator/HR Manager
Mr. Don Mineer, Local Board Training Specialist
Ms. Leslie Clark, Senior Financial Accountant/Great Plains DBA
Mr. John Hendricks, Senior Investment/Financial Accountant
Ms. Bridget Feeley, Internal Audit and Compliance Officer - Excused
Mr. Sam Meier, IT Operations Manager
Mr. Jon Chase, Senior Systems Programmer
Ms. Michelle Pechan, Paralegal
Ms. Alison Lidstone, Active Members Specialist
Mr. Mark Steed, Deputy CIO and Chief of Staff, Excused at 11:26 a.m.
Mr. Christian Palmer, Avant Strategies – Excused at 11:59 a.m.
Ms. Lisa Sweeting, Knowledge/Information Manager – Excused
Mr. Jim Mann, Executive Director of the Fraternal Order of Police,
Excused at 11:26 a.m.

1. Call to Order, Roll Call, Opening remarks.

*Mr. Gregory Ferguson
Committee Chairman*

The meeting was called to order at 11:00 a.m. by Chairman Ferguson.

2. Review, discussion and possible approval of Operations, Governance Policy and Audit Committee Minutes from the August 26, 2015 and October 21, 2015 meetings.

Mr. Gregory Ferguson

MOTION:1-1/20/16	At 11:01 a.m.
Motion:	Move to approve the Investment Committee Minutes from October 21, 2015 as presented.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Presentation of the Month-to-Date Budget Report for FY 2016 and possible **Recommendations**.

*Mr. John Hendricks
Manager Finance and Accounting*

We are 2.42% under budget due to vacancy savings in personnel services. Various expenses including those of air conditioning repair and server coolers were discussed. It was recommended obtaining bids for air conditioning maintenance in order to smooth expenses for air conditioning.

4. Discussion and **Recommendations** regarding the creation of a new Investment Analyst Position.

*Mr. Mark Steed
Deputy CIO and Chief of Staff*

A request was made for an additional analyst position to help manage the portfolio that has grown more complicated with its diversification and more international exposure. Adding one to two analysts could mean needing fewer portfolio managers. Chairman Ferguson requested a schematic of where we are now for investment staffing and where we are thinking of being in the future.

MOTION:2-1/20/16	At 11:21 a.m.
Motion:	To recommend to the Board of Trustees to hire in order to create a new investment analyst position.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

5. Update and discussion on the status of building space and tenant lease.

*Mr. Jared A. Smout
Administrator*

Our office is full and due to changes to our operations requirements by legislature, we have given notice to the tenants in our building that we will not renew their lease and have requested they find something sooner rather than later in order for the PSPRS to transition to having the building to ourselves.

6. Report and **Recommendations** on the FY 2016 Compliance and Internal Audit Plan.

*Ms. Bridget Feeley
Internal Audit and Compliance Officer*

It is scheduled that in February, training will commence for the internal auditor, David Pliskin, to be trained as a backup for investment matters.

7. Summary Update – Business Continuity Plan

*Mr. Sam Meier
IT Operations Manager*

Materials and information regarding the emergency response team have been updated. Business continuity is being discussed with each team and we are updating the disaster recovery plans.

8. Written update on the progress of the Local Board Training Program and discussion and possible **Recommendations** regarding same.

*Mr. Robert Ortega
Local Board Training Coordinator and Human Resources Manager
Mr. Don Mineer
Local Board Training Specialist*

A couple of boards are interested in Joinder Agreements. The Local Board portal on the PSPRS website will allow authorized local board staff to view a list of the board's retirement actions processed for payment each month.

9. Presentation of the "Requests for Local Board Rehearing" Report for the current month.

Mr. Jared A. Smout

There are ten requests for local board rehearings.

10. Review, discussion and possible **Action** regarding law firms' billings for legal services performed in October, November and December, 2015.

Mr. Jared A. Smout

MOTION:3-1/20/16	At 11:36 a.m.
Motion:	Move to approve payment of the law firms' billings of November 2015 in the amount of \$102,212.52; December billings in the amount of \$95,966.48 and January billings in the amount of \$94,221.81.
Moved by:	Ms. Stein
Seconded by:	Mr. McHenry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

11. Update and discussion on the progress of implementing the Auditor General recommendations as agreed to in their Performance Audit and Sunset Review.

Mr. Jared A. Smout

Details of the matrix recording the progress of implementation of the Auditor General's recommendations were discussed. Questions were asked regarding funding of the actuarial work being paid for by the PSPRS. We recognize the need to be efficient with costs and to use funds judiciously. It was suggested to look back at the dollars spent on the actuarial reports over the past years. Mr. Smout mentioned that we do account for actuarial services by those who requests them—administrative, legislature, membership or employers—and it has been fairly balanced amongst them all.

12. Review, discussion and possible **Recommendations** on potential legislative proposals for the 2016 legislative session including items for a possible administrative amendments bill.

Mr. Jared A. Smout

Generalities of pension reform legislation were discussed. Specific 2016 proposed bills discussed were A.R.S. § 38-816 (EORP) Redemption of Prior Service; A.R.S. § 38-843.05 (PSPRS) Retired Members, Return to Work, Employer Contributions; A.R.S. § 38-847 (PSPRS) Local Boards and A.R.S. § 38-849 Limitations on Receiving Pensions.

13. Appropriate **Action** regarding the appointment of the Vice Chairman of the Operations, Governance Policy and Audit Committee.

Mr. Gregory Ferguson

MOTION:4-1/20/16	At 12:13 p.m.
Motion:	Move to elect Ms. Stein as Vice Chairman of the Operations, Governance Policy and Audit Committee.
Moved by:	Mr. McHenry
Seconded by:	Mr. Ferguson
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

14. Call to the Public.

This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01 (H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees.

There was no response to the Call to the Public.

15. Schedule future meeting date(s). (Calendared for Wednesday, February 24, 2016)

The next meeting is scheduled for Wednesday, February 24, 2016.

16. Adjournment.

The meeting was adjourned at 12:19 p.m.

Mr. Gregory Ferguson, Chairman